J MURPHY GROUP PENSION PLAN
STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the J Murphy Group Pension Plan ("the Plan") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment Adviser, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Plan.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

The Plan operates both a Defined Benefit and a Money Purchase (DC) Section. The Money Purchase Section was introduced from 1 January 2001. With effect from 1 April 2004, new entrants generally joined this new section. With effect from 1 December 2006, the Defined Benefit Section was closed to future benefit accrual. Members of the Defined Benefit Section were contracted out of the State Second Pension under the Pensions Plans Act 1993.

2 INVESTMENT OBJECTIVES

2.1 DEFINED BENEFIT (DB) SECTION

The Trustees’ primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

The Trustees have also received confirmation from the Plan Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

2.2 MONEY PURCHASE (DC) SECTION

The Trustees’ main objective is to provide members with an investment strategy aligned to their needs, aiming to optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Sections 4 and 5.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 7 of this Statement. To help mitigate the most significant of the risks, the Trustees have:

- Made a lifestyle strategy available as a default solution, which transitions members’ investments from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and were mindful to offer a range of funds with varying levels of expected returns for members to choose from. The Trustees have also considered the balance between different funds and asset classes used in the default strategy to ensure an appropriate level of diversification and to create a strategy that they believe will maximise member outcomes.

When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

The items set out in this Statement are in relation to what the Trustees deem as ‘financially material considerations’ both for the DC section of the Plan and the default lifestyle strategy. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members’ age and when they expect to retire. It is for this reason that the default is a lifestyle strategy.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Plan at total Plan level and manager by manager
- The approval and review of the asset allocation benchmark for the Plan
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment Adviser to the Plan. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining the structure of the default strategy and advising on appropriate member fund choices (Money Purchase section only)
- Determining an appropriate investment structure
- Liaising with JLT Investment Management ("JLT IM") to determine funds and investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

In considering appropriate investments for the Plan, the Trustees will obtain and consider written advice from Mercer, whom the Trustees believe to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustees monitor the performance of the Plan's investment managers against their benchmarks. Section 3.3 describes the responsibilities of JLT IM as investment manager to the Plan.

Mercer makes a fund based charge which covers the services of both JLT IM and Mercer as specified within the Investment Management Agreement (IMA) and the Implemented Investment Consultancy Services Agreement (ICA). Any additional services provided by Mercer will be remunerated primarily on a time-cost basis. For the DC section, Mercer makes a fund based charge for the services it provides for the default fund as set out in its investment agreement with the Trustees.

In particular, Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice, and, as noted below, any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Plan.

The Trustees are satisfied that the investment arrangements, including the charging structure, are clear and transparent.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees are long term investor and does not look to change the investment arrangements on a frequent basis.

In respect of the DC section, all the funds are open-ended with no set end date for the arrangement. The fund range and default investment strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.

The Trustees, after considering appropriate investment advice, have appointed JLT IM as investment manager to the DB section of the Plan. JLT IM was first appointed in February 2018.

The key duty of JLT IM is to select investment managers suitable to each mandate within the Trustees' agreed asset allocation.

Investment managers are appointed by JLT IM based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

JLT IM will only invest in pooled investment vehicles. The Trustees therefore accept that it cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy. JLT IM will contract with and appoint underlying investment managers to manage the Plan's assets on behalf of the Trustees.

JLT IM will also manage the asset allocation to ensure it is in line with the allocation defined in the IMA, and its tolerances, which will be dependent on the required rate of return.

JLT IM will monitor the underlying investment managers to ensure their continuing appropriateness to the mandates given. If a manager is downgraded to a REVIEW or SELL rating by Mercer's Manager Research Team, JLT IM will replace that manager with a suitable PREFERRED rated alternative.

The details of investment managers initially appointed by JLT IM are set out in Appendix 3 and 4, together with the details of each manager's mandate.

In particular, the underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers that will be sub-contracted by JLT IM will be authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA or both.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan.

None of the underlying managers in which the Plan's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that it cannot influence the charging structure of the pooled funds in which the Plan is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Plan Actuary and the Plan administrators, so far as they relate to the Plan's investments, is set out at Appendix 5.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY: DEFINED BENEFIT SECTION

The Trustees have determined their investment strategy after considering the Plan's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to divide the Plan's assets between a "growth" portfolio, comprising assets such as equities and diversified growth funds ("DGFs"), and a "stabilising" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The basis of the split between these two portfolios is that growth assets are held in respect of the liabilities pertaining to active and deferred members and stabilising assets are held in respect of pensioner liabilities. The growth-stabilising allocation is also set with regard to the overall required return objective of the Plan's assets, which is determined by the funding objective and current funding level.

The Trustees have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 3.

4.2 SETTING INVESTMENT STRATEGY: MONEY PURCHASE SECTION

The Trustees have adopted a Lifestyle Strategy as the Default Option for the Money Purchase Section. The approach to setting Lifestyle Strategy is set out in Section 5. Details of the funds used within the Lifestyle Strategy are set out in Appendix 4.

The Trustees also offer members a suitable range of funds as an alternative to the Lifestyle Strategy, as noted in Section 4.3. Details of the alternative funds are also set out in Appendix 4.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

4.3 SELF-SELECT FUNDS (DC SECTION)

If members of the DC section do not want to be invested in the default strategy they have the option to invest in self-select funds. The range of investment options covers a number of asset classes and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustees have made the following 9 funds available for self-selecting;

- LGIM World Equity Index
- LGIM UK Equity Index Fund
- LGIM Over 15 Year Gilts Index Fund
- LGIM Over 15 Year Index-Linked Gilts Index
- LGIM Sterling Liquidity
- LGIM Active Corporate Bond – Over 10 Year – Fund
- LGIM Pre Retirement
- Standard Life Global Absolute Return Strategies Fund
- BlackRock DC Diversified Growth Fund

Further details on these funds can be found in Appendix 4.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

4.4 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Plan.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Plan benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Plan is invested.

4.5 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and Overseas Equities
- UK and Overseas Government Bonds, Fixed and Inflation-linked
- UK and Overseas Corporate Bonds
- Convertible Bonds
- Property
- Commodities
- Hedge Funds
- Private Equity
- High Yield Bonds
- Emerging Market Debt
- Diversified Growth
- Liability Driven Investment Products
- Cash

All the funds in which the Plan invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Both active and passive funds are used by the Plan. Details relating to the pooled funds can be found in Appendix 3 and 4.

4.6 ADDITIONAL VOLUNTARY CONTRIBUTIONS

DB Section

The DB section of the Plan has no active members remaining and so contributions are no longer being made.

The Plan provides a facility for members to pay for Additional Voluntary Contributions (AVCs) to enhance their benefits at retirement. Members are offered a range of funds in which to invest their AVCs with Aviva and Phoenix Life.

It is the view of the Trustees that the facilities currently available to members are acceptable in terms of breadth of the choice of funds and the performance of those funds.

DC Section

The Plan provides a facility for members of the DC section to pay additional voluntary contributions to enhance their benefits at retirement. Members are offered the opportunity to invest additional contributions in the same way as the main DC section investments.

5 DEFAULT INVESTMENT STRATEGY (DC SECTION)

5.1 AIMS AND OBJECTIVES

The default strategy operates as a default if a member does not wish to make their own investment selection. The default is designed to be appropriate for a typical member of the Plan.

The Trustees have assumed responsibility for setting the default investment strategy that provides a broad level of protection against the key risks identified in Section 7. This is achieved using a lifestyle arrangement, whereby assets are moved into less risky investments as members approach their selected retirement age.

Members can opt out of the default strategy, and invest in any fund made available in the self-select fund range as described in Sections 4.3.

5.2 DEFAULT STRATEGY

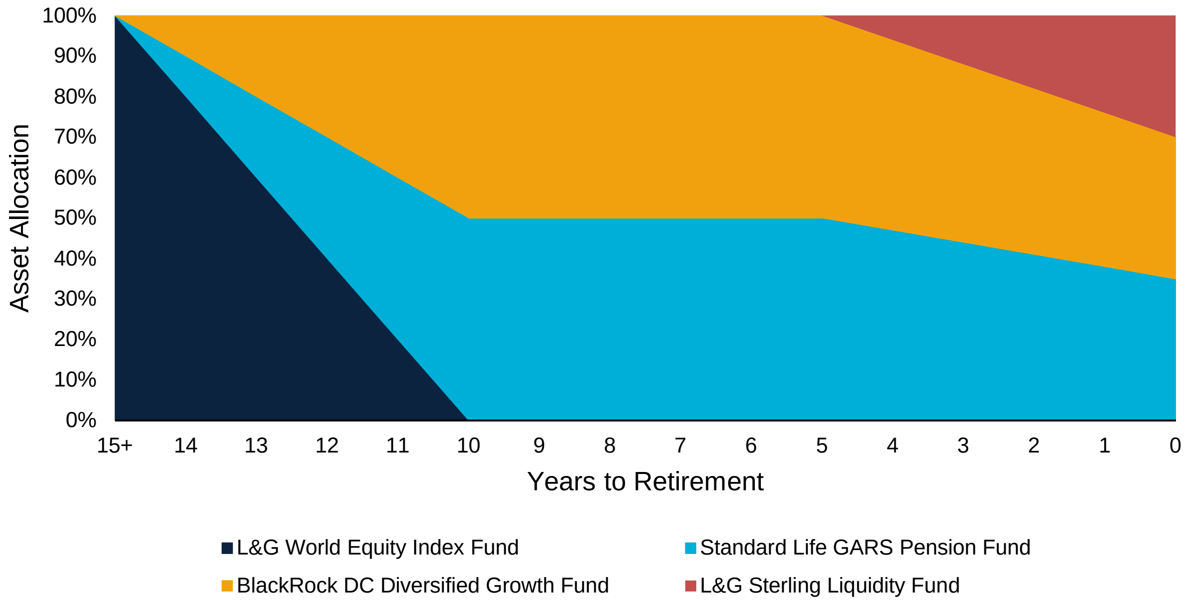
In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from their investment consultants. The Trustees have explicitly considered the trade-off between risk and expected returns. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age as well as their expected retirement date. Further information is set out below.

In January 2020, the Trustees introduced a new default lifestyle strategy which targets the retirement outcome of income drawdown; this is the process whereby members access their savings flexibly through a series of one-off lump sums or regular payments. The strategy is known as the **J Murphy Drawdown Lifestyle** and its objective is to provide exposure to higher risk assets (which offer greater growth potential) when members are further from retirement and then gradually reduce exposure to risk as members approach retirement.

Under the new default strategy, members' investments are fully invested in the L&G World Equity Index Fund, a passively managed global equity fund, up to 15 years from retirement. This fund will expose assets to a relatively high level of investment risk in order to generate investment growth at a time when members can endure higher levels of volatility

Over the next 10 years, members' assets are gradually switched from this fund into two diversified growth funds (DGFs) – the Standard Life GARS Pension Fund and the BlackRock Life DC Diversified Growth Fund – until there is a 50:50 split between them. This move aims to reduce volatility while still exposing savings to growth opportunities.

In the final 5 years before retirement, some assets are moved into the L&G Sterling Liquidity Fund, a cash fund, as shown in the chart below, in order to further reduce volatility as retirement approaches. Members also have the option of targeting cash or annuity, as outlined in Section 5.3 below.



The process of switching between funds will physically take place on the first month of every quarter (e.g. January, April, July and October).

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees consider to be financially material considerations in relation to the default investment strategy. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the membership level. This will be dependent on the members' age and when they expect to retire.

Taking into account the demographics of the DC section's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default is appropriate. The performance of the default fund is monitored at least every three months and the Trustees will continue to review the strategy over time, at least triennially, or after any significant changes to the Plan's demographic, if sooner.

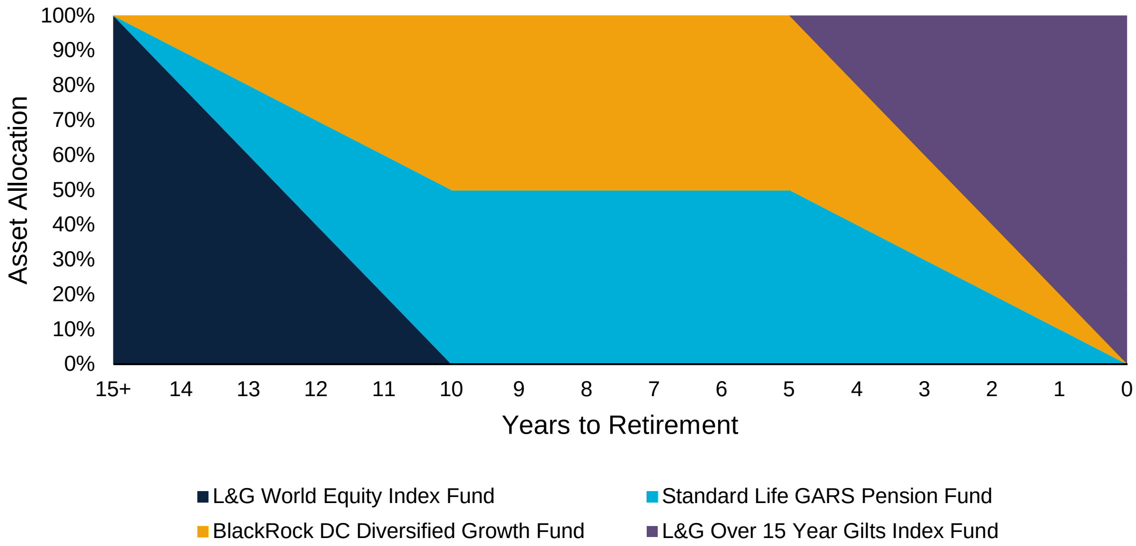
5.3 ALTERNATIVE LIFESTYLE

Keeping in line with the pension freedoms, two additional lifestyles targeting cash and annuities respectively are also available to members should they feel that the default lifestyle strategy (which targets a universal outcome) is not appropriate for them.

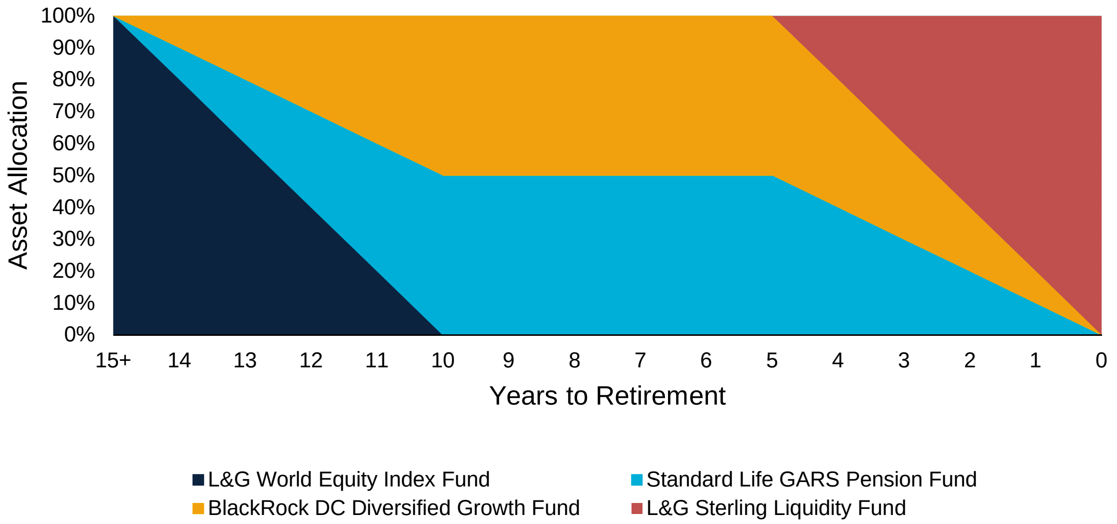
In designing these alternative lifestyle strategies, the Trustees have explicitly considered the trade-off between risk and expected returns. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age and their expected retirement age.

The alternative lifestyles are identical to the default lifestyle up until a member is 5 years from retirement, as shown below:

- **J Murphy Annuity Lifestyle** – this lifestyle is designed for members who intend to purchase an annuity with their retirement savings. In the final 5 years before retirement, members' savings are transferred into the L&G Over 15 Year Gilts Index Fund which should provide a broad level of protection against changes to annuity prices.



- **J Murphy Cash Lifestyle** – this lifestyle is designed for members who intend to withdraw all their savings in one cash lump sum. In the final 5 years before retirement, members' savings are transferred into the L&G Sterling Liquidity Fund so that at retirement a member's savings are 100% invested in cash.



5.4 MEMBERS' BEST INTERESTS

The Trustees will carry out an in-depth investment review triennially or following any significant change in membership, covering not only the performance of the default strategy, but also its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which takes place quarterly. The Trustees strive to ensure the strategy evolves in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members in the default investment strategy.

6 RESPONSIBLE INVESTING

6.1 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the long term investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process.

As noted earlier, the Plan's assets are invested in pooled funds many of which are index linked funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers. The Trustee has reviewed the ESG policies of the various managers and is sufficiently confident that all managers have ESG policies which do not conflict with those of the Trustee. Each manager will be monitored regarding the impact of its ESG policy on an annual basis.

Therefore, the Trustees will work with their investment advisers to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to: ensuring the managers are signatories to UNPRI, reviewing the managers' own ESG policies, investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc. Furthermore, the Trustees will consider the ESG beliefs and practices of the investment manager and where any differences arise will inform the manager of those differences. Because assets are held in pooled funds the trustee will look to see how the manager exercises its voting rights to monitor whether the exercising of those votes are in line with the manager's ESG policy.

Whilst certain investment decisions have been delegated to JLT IM as the investment manager, the Trustees recognise that their views on the financial materiality of environmental, social and corporate governance factors on risk and return are retained as a trustee decision.

The Trustees consider how ESG, climate change and stewarding are integrated within JLT IM's investment processes and those of the underlying managers on an annual basis.

The Trustees will continue to review the available products and approaches in this space and strive for the Plan to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

6.2 NON-FINANCIAL CONSIDERATIONS

The Trustee has no compelling evidence to suggest that members' Ethical and ESG beliefs should take precedence over investment returns.

The Trustees only consider factors that are expected to have a financial impact on the Plan's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

6.3 STEWARDSHIP POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Plan’s benefit. The Trustees believe that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios will lead to better financial results for members.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Plan’s underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

As the Plan invests in pooled funds via an investment platform, the Trustees’ scope to vote on the Plan’s shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with the underlying investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies take into account the financial interests of shareholders, and should be for the members’ benefit. Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Plan’s membership. In respect of the DC section, the Trustees review the investment managers policies and engagement activities (where applicable) on an annual basis.

The Trustees, via JLT IM, requests annual reports on the voting undertaken by the Plan’s underlying investment managers during the period and review the voting to ensure it remains broadly consistent with the Trustees’ view of good stewardship standards.

JLT IM and Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustees. If the Trustees have any concerns, they will raise them with JLT IM or Mercer, verbally or in writing.

7 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Plan's investments, including those set out below. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed.

The Trustees recognise that in a defined contribution money purchase arrangement, members assume the investment risks themselves and members are exposed to different types of risk at different stages of their working lifetimes.

Broadly speaking, the main types of investment risk can be identified are as follows:

<table>
<tr><th>Type of Risk</th><th>Risk</th><th>Description</th><th>How is the risk monitored and managed?</th></tr>
<tr><td colspan="4">Risks affecting the DB and DC sections of the Plan</td></tr>
<tr><td rowspan="4">Market Risk</td><td>Inflation Risk</td><td>The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).</td><td rowspan="4">DB:
The Trustees acknowledge that these risks are mostly delegated to the investment managers. The Trustees will ensure that they are comfortable with the amount of risk that the Plan's investment manager takes and will ensure assets are invested in a diverse portfolio across various markets.
DC:
The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.
Members are able to set their own investment allocation, in line with their risk tolerances.
The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.</td></tr>
<tr><td>Currency Risk</td><td>This is the risk that occurs when the price of one currency moves relative to another (reference) currency. The Plan may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.</td></tr>
<tr><td>Credit Risk</td><td>This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.</td></tr>
<tr><td>Other Price Risk</td><td>This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.</td></tr>
</table>

Interest Rate Risk	This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments. Changes to Interest Rates will affect the market price of annuities, which therefore affects the amount of guaranteed pension that members of the DC section will be able to purchase with their savings at retirement.	**DB:** The Trustees acknowledge that interest rate risk related to individual debt instruments, and particularly liability driven investment (LDI) instruments, is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved. **DC:** The default investment strategy uses a gilt fund which broadly tracks the prices of annuities as members approach retirement, thereby protecting members from large changes to interest rates.
Environmental and social and governance ("ESG") risks	This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Plan's assets. These risk factors can have a significant effect on the long-term performance of the assets the Plan holds.	Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager. Please see Section 6 for the Trustees' responsible investment statement.

Manager risk	This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by Mercer, and by appointing JLT IM to monitor and replace any managers (having received written authorisation from the Trustees) where concerns exist over their continued ability to deliver the investment mandate.
Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.
Legislative Risk	This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.	The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.
DB-specific risks		

Sponsor Risk	This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.	It is managed by assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.
Solvency Risk	The risk that the Plan will be unable to meet its liabilities in the long-run.	Measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a Plan-specific strategic asset allocation with an appropriate level of risk.

DC-specific risks		
Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	The default is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile on an absolute basis. The Trustees believe this strategy targets the retirement outcome that is most suitable for the Scheme's membership.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

8 MONITORING OF INVESTMENT ADVISER AND MANAGERS

8.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

8.2 INVESTMENT MANAGERS

For the DB section of the Plan, the Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mercer on a quarterly basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The reporting also reviews the performance of the Plan's assets in aggregate against the Plan's strategic benchmark.

JLT IM, as Investment Manager has the role of replacing the underlying investment managers where appropriate. It takes a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

The Trustees also monitor the stewardship track record of the Plan's underlying investment managers on an annual basis and will take action if this is found inconsistent with appropriate long-term return generation.

8.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Plan is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

For the DC section, The Trustees consider portfolio turnover costs as part of the annual value for members assessment and asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Plan is invested and will include further information about this when next updating the SIP.

9 CODE OF BEST PRACTICE

9.1 DEFINED BENEFIT SECTION

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Plans'.

The Trustees have received training in relation to this guidance and are satisfied that the investment approach adopted by the Plan is consistent with the guidance so far as it is appropriate to the Plan's circumstances.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Plan's circumstances and in relation to evolving guidance, and will revise the Plan's investment approach if considered appropriate.

9.2 MONEY PURCHASE SECTION

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to improve DC arrangements in the UK. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places a greater emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

10 COMPLIANCE

The Plan's Statement of Investment Principles is available to members online at the following URL: .

A copy of the Plan's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plan's investment managers, the Plan's auditors and the Plan Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on ....

Signed on behalf of the Trustees by	....	....
On	....	....
Full Name	....	....
Position	....	....

APPENDIX 1: ASSET ALLOCATION BENCHMARK: DEFINED BENEFIT SECTION

The Plan's strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**80.0%**	
Growth – Multi Asset	80.0%	+/- 20.0%
Stabilising Assets	**20.0%**	
LDI – Real	20.0%	+/- 20.0%
Total	**100.0%**	

The asset allocation will be monitored by JLT IM so as to maintain it within the guideline ranges.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Plan and from income from the Plan's investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back in line with the guideline ranges, as set out in Appendix 1. LDI funds will not be for cashflow purposes without a specific written instruction from the Trustees.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Plan's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION DEFINED BENEFIT SECTION

The Plan invests with JLT IM, whose key responsibility it to appoint suitable investment managers to each of the mandates within the Trustees' agreed investment strategy as set out in Appendix 1.

The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Diversified Growth				
Standard Life Global Absolute Return Strategies Fund	6 month GBP LIBOR	To achieve returns above the benchmark +4.3% p.a. net of fees over rolling 3 year periods	Daily	Level 2
Newton Real Return Fund	1 month GBP LIBOR	To achieve returns above the benchmark +3.25% p.a. net of fees	Daily	Level 2
BlackRock Diversified Growth Fund	Bank of England Base Rate	To achieve returns above the benchmark +2.85% p.a. net of fees, over rolling 3 year periods	Daily	Level 2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Stabilising – LDI				
BMO Real Dynamic LDI Fund	The liability profile of a typical UK DB pensions Plan consisting of gilt and swaps benchmarks	To provide hedging by offering interest rate and inflation protection which reflect the liability profile of a typical UK DB pension Plan	Daily	Level 2

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited.

JLT IM will monitor the investment managers. If one of the managers is downgraded byMercer's Manager Research Team to a REVIEW or SELL rating, that manager will automatically be replaced by JLT IM with a PREFERRED rated alternative manager.

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers.

APPENDIX 4: INVESTMENT MANAGER INFORMATION: MONEY PURCHASE SECTION

The table below show the funds available for members of the Money Purchase Section to invest in.

Investment Manager/Fund	Fund Benchmark	Objective	Total Expense Ratio (TER)*
LGIM World Equity Index	FTSE AW – World Index	To track the performance of the benchmark to within +/- 0.5% p.a. for two out of three years	0.180%
LGIM UK Equity Index Fund	FTSE All-Share Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two out of three years	0.099%
LGIM Over 15 Year Gilts Index Fund	FTSE A Government (Over 15 Year) Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two out of three years	0.098%
LGIM Over 15 Year Index-Linked Gilts Index	FTSE A Government (Over 15 Year) Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two out of three years	0.098%
LGIM Sterling Liquidity	7 Day LIBID	To provide capital stability, liquidity and diversification while providing a competitive level of return	0.133%
LGIM Active Corporate Bond – Over 10 Year – Fund	Markit iBoxx £ Non-Gilt Index	To outperform the benchmark by 0.75% p.a. (before fees) over a rolling 3 year period	0.255%
LGIM Pre Retirement	Composite of gilts and corporate bond funds	To provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product	0.130%
Standard Life Global Absolute Return Strategies Fund	6 Month GBP LIBOR	To outperform the benchmark by 4.3% (net of fees) over long term periods	0.735%
BlackRock DC Diversified Growth Fund	Bank of England official Base Rate	To outperform the benchmark by 3.5% (gross of fees) over rolling 3 year periods	0.631%

Invested via the JLT Investment Management Platform

*Correct for the period 1 June 2018 – 31 May 2019

APPENDIX 5: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Plan Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser’s responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Plan Actuary, how any changes within the Plan’s benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the Investment Managers’ organisation could affect the interests of the Plan
  - How any changes in the investment environment could present either opportunities or problems for the Plan
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

As noted in this statement, JLT IM has been appointed as Investment Manager and will sub-contract with underlying investment managers on behalf of the Trustees.

JLT IM’s responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

The underlying investment managers contract with JLT IM and therefore do not have any direct responsibility to the Trustees.

PLAN ACTUARY

The Plan Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions